

EQUIPMENT LEASE

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RE:

INTERSTATE COMMERCE COMMISSION

CANADIAN NATIONAL RAILWAY COMPANY
(C.N. Trust No. 2)

THIS EQUIPMENT LEASE dated as of May 1, 1970 between GEORGE D. MACKAY and EDWARD E. CASTANS, not in their individual capacities but solely as Trustees under a Trust Agreement dated as of May 1, 1970 (the "Lessor"), UNITED STATES LEASING INTERNATIONAL, INC., a California corporation, as agent for Lessor (the "Agent") and CANADIAN NATIONAL RAILWAY COMPANY, a Canadian corporation (the "Lessee");

W I T N E S S E T H:

SECTION 1. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.1. The Lessor is acquiring certain railroad equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedules 1-A through 1-N, inclusive, attached hereto and made a part hereof and, upon delivery of each Item of Equipment by the Manufacturer thereof (the "Manufacturer"), the Lessor shall lease and let such Item of Equipment to the Lessee and the Lessee shall hire such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Upon delivery of each Item of Equipment by the Manufacturer thereof the Lessee will inspect such Item of Equipment and if such Item of Equipment tendered for delivery appears to meet the specifications, the Lessee will accept delivery thereof and execute and deliver to such Manufacturer and Lessor duplicate Certificates of Acceptance, substantially in the form of Schedule 2 attached hereto and made a part hereof.

1.3. The Lessee's execution and delivery to the Lessor of the Certificates of Acceptance with respect to each Item of Equipment shall conclusively establish that each Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that each Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable Canadian Transport Commission and United States Department of Transportation and all other foreign

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or domestic governmental agency requirements and specifications, if any. The Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor the following rental for each Item of Equipment leased hereunder:

- (a) Fixed Rental. For each Item of Equipment, 40 semi-annual installments of Fixed Rental each payable in advance, in the amount provided for such Item of Equipment respectively in Schedules 1-A through 1-N hereto.
- (b) Daily Interim Rental. For each Item of Equipment, the amount per day provided for such Item of Equipment respectively in Schedules 1-A through 1-N hereto for the period, if any, from the date of payment of the invoice for the purchase of such Item of Equipment to and including the due date of the first installment of Fixed Rental.

2.2. Rental Payment Dates. The first installment of Fixed Rental and the total amount of the Daily Interim Rental for all Items of Equipment delivered to the Lessee hereunder shall be due and payable on the earlier of (i) the tenth business day after delivery of all Items of Equipment to the Lessee hereunder has been completed as evidenced by the Certificates of Acceptance, or (ii) November 30, 1970. The second through fortieth installments of Fixed Rental for all Items of Equipment shall be due and payable semiannually commencing six calendar months after the first rent payment date.

2.3. All payments provided for in this Lease to be made to the Lessor shall be made in U. S. Dollars free and clear of all charges for transfer or negotiation at Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690, or at such other place as the Lessor or its assigns shall specify in writing.

2.4. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Manufacturer of the Equipment, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for

any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines, or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Section 11 hereof, shall with respect to each Item of Equipment terminate 20 years after the date for payment of the first installment of Fixed Rental in respect of such Item of Equipment provided for in Section 2.2 hereof.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.1. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.2. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedules 1-A through 1-N respectively and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased from United States Leasing International, Inc.
as Agent for Owner-Trustee, and subject to a Security
Interest Recorded with the I.C.C. and the Registrar-
General of Canada."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the

Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification.

4.4. The Lessee shall indemnify the Lessor, the Agent, the Trustor under the Trust Agreement, and any assignee under Section 16 hereof against any liability, loss or expense incurred by any of them as a result of the aforesaid marking of the Equipment with such name, initials or insignia.

SECTION 5. DISCLAIMER OF WARRANTIES.

AS BETWEEN LESSOR AND LESSEE, LESSOR LEASES THE EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (a) THE FITNESS OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (b) THE LESSOR'S TITLE THERETO, (c) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (d) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. The Lessee shall defend, indemnify and save harmless the Lessor, the Agent and the Trustor under the Trust Agreement and their successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages or liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner or by or for the account of any of them (i) relating to the Equipment or any

part thereof, including without limitation the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), except counsel fees or other costs or expenses incurred by the Agent, Trustor, Lessor, or Lenders with respect to their initial participation in this lease transaction, including counsel fees, costs and expenses incurred in the execution of all necessary documents, (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, or (iii) as a result of claims for patent infringements, or (iv) as a result of claims for strict liability in tort.

6.2. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

6.3. Notwithstanding anything contained in this Section 6, the Lessee shall not be obligated to indemnify or assume liability in respect of an Item of Equipment for any claim, cause of action, damages or liability to the extent that such claim, cause of action, damages or liability arises solely as a result of a situation or event occurring after such Item of Equipment has been returned to the Lessor pursuant to Section 13 or 15 hereof or after this Lease with respect to such Item of Equipment has otherwise terminated; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Sections 13 or as the case may be, 15, hereof. The foregoing does not guarantee a residual value.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules foreign or domestic (including the rules of the Canadian Transport Commission, the United States Department of Transportation and the current Interchange Rules, or supplements thereto of the Mechanical Division, Association of American Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional

or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment (except such as are not required pursuant to Section 7 hereof and can be removed without damage to, or in any way affecting or impairing either the originally intended function or the use of, such Item of Equipment) shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through, or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of the Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. The Lessor will, at the sole cost and expense of the Lessee, make suitable arrangements to have this Lease and each first mortgage and/or assignment executed by the Lessor with respect to the Equipment or the Lease duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and deposited with the Registrar General of Canada pursuant to Section 148 of the Railway Act of Canada and to publish notice of such deposit in the Canada Gazette pursuant to said Section 148, and to have the same (or a financing statement or similar notice thereof

if and to the extent permitted or required by applicable law) deposited, filed, registered or recorded in such other places within or without Canada and the United States as the Lessor may reasonably require for the protection of its title or the security interest of such mortgagee or assignee. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record wherever and whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of protecting the Lessor's title to, or each such mortgagee's or assignee's security interest in, the Equipment to the satisfaction of the Lessor's or such mortgagee's or assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filing and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, registering, re-registering, recording, re-recording of any such instruments or incident to the taking of such action.

10.2. The Lessee, or the Lessor at the Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of Equipment and other taxes, fees and governmental charges similar or dissimilar to the foregoing (excluding any net income tax, provided that the Lessee agrees to pay that portion of any such net income tax which is in direct substitution for, or which relieves the Lessee from, a tax which the Lessee would otherwise be obligated to pay under the terms of this Section), together with any penalties or interest thereon, imposed by any state, federal or local government upon any Item of Equipment and whether or not the same shall be assessed against or in the name of the Lessor, the Agent, the Lessee, or the Trustor under the Trust Agreement referred to in the introductory paragraph; provided, however, that the Lessee shall not be required to pay or discharge any such tax or assessment (i) so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment; however, the Lessee shall reimburse the Lessor for any damages or expenses resulting from such failure to pay or discharge, or (ii) as to assessments against or in the name of anyone other than the Lessee, until 20 days after written notice thereof shall have been given to the Lessee.

SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE FOR EQUIPMENT UN-
SERVICEABLE FOR USE.

11.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee,

irreparably damaged or damaged beyond economic repair, or in the opinion of both the Lessor and the Lessee, obsolete or economically unserviceable for use from any cause whatsoever, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms does not exceed the remaining term of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor in regard thereto.

11.2. When the aggregate Casualty Value (as herein defined) of Items of Equipment described in any given Schedule having suffered a Casualty Occurrence (exclusive of Items of Equipment described in such Schedule having suffered a Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$100,000 the Lessee shall, on the next succeeding rental payment date, pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment; provided, that notwithstanding the foregoing the Lessee shall on the last applicable rental payment date of each calendar year pay to the Lessor a sum equal to the Casualty Value of any Item or Items of Equipment which have suffered a Casualty Occurrence during such calendar year or any prior year for which no payment has previously been made to the Lessor pursuant to this Section 11.

11.3. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rental for such Item or Items of Equipment (including the Fixed Rental installment due on the Casualty Value payment date) shall terminate, but the Lessee shall continue to pay rental for all other Items of Equipment. The Lessee shall pay when due all rental payments as to an Item or Items due prior to the date on which the Casualty Value thereof is payable.

11.4. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "AS IS", "WHERE IS" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts at such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

11.5. If the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence prior to the commencement of Fixed Rental hereunder with respect thereto, the date of such Casualty Occurrence for such Item or Items shall be deemed to be one day after the due date of the first installment of Fixed Rental.

11.6. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the original cost to the Lessor of such Item of Equipment as set forth in the Schedule of Casualty Value attached hereto as Schedule 3.

11.7. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment after the date hereof.

11.8. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

12.1. On or before April 1 in each year, commencing with the year 1971 and provided a request therefore is made by the Lessor or any of its assignees, the Lessee will furnish to all such requesting parties an accurate statement, as of the end of the preceding calendar year (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, discription and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months or longer period between successive statements (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4 hereof shall have been preserved or replaced.

12.2. The Lessor or its assigns shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or its assigns the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90 day period to any reasonable place on the lines of the railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. If, during the continuance of this Lease, one or more of the following events ("Events of Default") shall occur:

(a) Default shall be made in the payment of any part of the rental provided in Section 2 hereof and such default shall continue for ten days after written notice from the Lessor to the Lessee of such default and demand the same be remedied;

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest

therein and to recover possession of such Equipment within 30 days after written notice from the Lessor to the Lessee demanding such cancellation and recovery of possession;

(c) Default shall be made in the observance or performance of any warranty, representation or any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any other agreement in writing between the Lessee and the Lessor, the Trustor or the Agent concerning the Equipment, such agreement having been executed by an Officer of the Lessee, and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(d) Any other proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder), and, if instituted against the Lessee, are consented to or are not dismissed within 60 days after such proceedings shall have been commenced, unless all the obligations of the Lessee under this Lease shall have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(1) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(2) by notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever; but the Lessor shall, nevertheless, have a right to recover

from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rental.

14.2. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rental payments due hereunder, and agrees to make the rental payments regardless of any off-set or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.3. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. If the Lessor shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession

of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad for a period not exceeding 90 days at the risk of the Lessee; and

(c) Transport the Equipment, at any time within such 90 day period, to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

15.2. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so as to assemble, deliver, store and transport the Equipment.

15.3. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of Lessee from whosoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR AND LESSEE; USE AND POSSESSION.

16.1. This Lease shall be assignable in whole or in part by Lessor without the consent of Lessee, but Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. In the event that separate assignments are executed by the Lessor in respect of this Lease and the rental and other sums due and to become due hereunder, the Lessor and the Lessee agree that so long as such separate assignments remain in force and effect this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and Lessee for the leasing of Equipment

covered by each such separate assignment, all to the same extent and with the same force and effect as though a separate lease had been entered into by the Lessor and the Lessee in respect of such Equipment. Upon notice to the Lessee of any such assignment, the rental and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the assignee, the Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

16.2. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment (except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroads of the Lessee may subject such leasehold interest to the lien thereof). The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Sections 16.3, 16.4 or 16.5 hereof.

16.3. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof by it or by any other corporation which comprises one of the "National Railways" as that term is defined in the Canadian National Railways Act, or upon lines of railroads over which the Lessee or any such corporation has trackage or other operating rights or over which equipment of the Lessee or any such corporation is regularly operated pursuant to contract

and also to permit the use of the Equipment upon connecting and other railroads in the usual interchange of traffic and to permit the sub-letting or lease temporarily or to permit the emergency use by other parties of any Item of Equipment in the normal course of business, but only upon and subject to all the terms and conditions of this Lease. No assignment, sublease or interchange entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

16.4. Nothing in this Section 16 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or substantially as an entirety.

16.5. Nothing in this Section 16 shall be deemed to restrict the right of the Lessee to sublease the Equipment to any corporation which comprises one of the "National Railways" as that term is defined in the Canadian National Railways Act. No such sublease shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

SECTION 17. REPRESENTATIONS AND WARRANTIES.

17.1. The Lessor and the Agent represent and warrant as follows:

(a) On the delivery date for each Item of Equipment the Lessor shall have such title thereto as it received from the manufacturer or supplier thereof.

(b) Any sale, assignment, transfer, mortgage or other disposition which the Lessor or the Agent may make of this Lease or any Item of Equipment covered thereby, whether prior or subsequent to execution and delivery thereof, shall be made expressly subject to the terms and provisions of this Lease and all rights of the Lessee thereunder.

(c) Neither the Lessor nor the Agent have created nor will they create any claim, lien or encumbrance against any Item of Equipment so as to interfere with or impair

(1) the Lessee's possession and use of such Item of Equipment in accordance with the terms of this Lease; or

- (ii) the title to any Item of Equipment which may be transferred or conveyed to the Lessee under other provisions of this Lease.

17.2. The Lessee represents and warrants the truth and accuracy of those matters contained in subparagraphs (a) through (g) of Section 18.1 hereof.

SECTION 18. OPINIONS OF COUNSEL.

18.1. Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor 15 counterparts of the written opinion of counsel for the Lessee addressed to the Lessor, the Agent and to any assignee under Section 16 of which the Lessee has notice, in scope and substance satisfactory to the Lessor, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of Canada;

(b) The Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of the Lease;

(c) This Lease and the Agreement to Acquire and Lease of even date herewith, among the Lessor, the Agent and the Lessee have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency and moratorium laws from time to time in effect;

(d) Once this Lease is deposited in the office of the Registrar General of Canada and upon the giving of notice of such deposit in the Canada Gazette in accordance with Section 148 of the Railway Act of Canada, no other filing, recording or depositing or notices in respect thereof are necessary to protect the Lessor's title to the Equipment in Canada;

(e) No approval, consent or withholding of objection is required from any Canadian regulatory body with respect to the entering into or performance of the Agreement to Acquire and Lease or this Lease;

(f) The execution and delivery by Lessee of the Agreement to Acquire and Lease and the Lease do not violate any provision of any law, any order of any court or Canadian

governmental agency, the Act of Incorporation or By-laws of the Lessee, or any indenture, agreement, or other instrument to which Lessee is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Lessee, except as contemplated and permitted hereby; and

(g) As to any other matters which Lessor shall reasonably request.

18.2. Concurrently with the delivery of the opinion of counsel for the Lessee as provided in Section 18.1 hereof, the Lessor will deliver to the Lessee five counterparts of the written opinion of General Counsel for the Agent and special counsel for the Lessor, in scope and substance satisfactory to the Lessee with respect to the matters set forth in (a), (b), (c) and (f) of such Section 18.1 as such matters may appropriately pertain to the Lessor, the Agent or both of them.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 10-1/2% (or the lawful rate, whichever is less) of the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. NOTICES.

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States or Canadian certified mails, first class postage prepaid, addressed as follows:

If to the Lessor
of the Agent:

Trustees under C.N. Trust No. 2
in care of both of the following
addresses:

United States Leasing
Corporation
1211 West 22nd Street
Oak Brook, Illinois 60521

United States Leasing
International, Inc.
633 Battery Street
San Francisco, California 94111

If to the Lessee:

Canadian National Railway Company
935 LaGauchetiere Street West
Montreal, Canada
Attention: Treasurer

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. A copy of any notice required or permitted to be given to the Lessor or the Agent shall also be furnished in the same manner as above, addressed to:

Union Bank
P. O. Box 3100 Terminal Annex
Los Angeles, California 90054

Attention:

SECTION 21. EXECUTION IN COUNTERPARTS.

This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which when so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

SECTION 22. LAW GOVERNING.

This Lease shall be construed in accordance with the laws of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

SECTION 23. OPTION TO PURCHASE.

23.1. Provided that the Lessee is not in default, Lessee shall have the right to purchase all but not less than all of the Items of Equipment then leased hereunder at the expiration of the original term therefore at a price equal to the "fair market value" (as defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the original term of its election to exercise the purchase option provided for in this Section. Payment of the option price shall be made at the place of payment specified in Section 2 hereof in United States funds there current against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the

Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters.

23.2. The "fair market value" shall be such amount as is mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market value of the Equipment within 30 days after receipt by the Lessor of the notice of the Lessee's election to exercise the purchase option, the fair market value shall be determined by an appraiser selected by mutual agreement of the Lessor and the Lessee. If the Lessor and the Lessee are not able to agree upon an appraiser, or if the fair market value is not so determined within 90 days after receipt by the Lessor of the Lessee's election to purchase, the same shall be determined by American Appraisal Company. The fair market value as finally determined shall bear interest for the period, if any, from the date of expiration of this Lease to the date of payment at the rate of 10 $\frac{1}{4}$ % per annum.

23.3. Unless the Lessee has given the Lessor 180 days notice as required in connection with exercise of the foregoing options, all the Equipment then leased hereunder shall be returned to the Lessor in accordance with Section 13 hereof.

23.4. Notwithstanding any election of the Lessee to purchase, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Equipment purchased by the Lessee upon the date of purchase unless the purchase price has been agreed upon by the parties pursuant to this Section 23, in which event such purchase price shall govern.

SECTION 24. CONCERNING THE LESSOR AND THE AGENT.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of George D. MacKay and Edward E. Castans are nevertheless each and every one of them made and intended not as personal representations, covenants and undertakings and agreements of them or for the purpose or with the intention of binding them personally, but are made and intended for the purpose of binding only the Trust as that term is used in the Trust Agreement; such Trust is the Lessor hereunder, and this Lease is executed and delivered by George D. MacKay and Edward E. Castans, not in their own right but solely in the exercise of the powers conferred upon them as such Trustees;

and no personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against such persons or the Agent on account of this Lease or on account of any representation, covenant, undertaking or agreement of such persons or the Agent in this Lease contained, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under said Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust for satisfaction of the same.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and their corporate seals to be hereto affixed as of the day and year first above written.

GEORGE D. MACKAY and EDWARD E.
CASTANS, as Trustees under C.N.
Trust No. 2

By

Edward E. Castans
Trustee as aforesaid

LESSOR

CANADIAN NATIONAL RAILWAY COMPANY

By

R. H. Turner
Its Vice President

LESSEE



(Corporate Seal)

Attest:

Al Fuller
Assistant Secretary

UNITED STATES LEASING INTERNATIONAL,
INC.

By

W. H. Ruskamp
Its Vice President

AGENT FOR LESSOR

(Corporate Seal)

Attest:

Donna L. Armstrong
Assistant Secretary

Attachments to Lease

Schedule 1-A through 1-N, inclusive, to Lease - Description of
Equipment

Schedule 2 to Lease - Certificate of Acceptance

Schedule 3 to Lease - Casualty Value

SCHEDULE I - A

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 67 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos. C.N. 377250 - 377316

PRICE: \$1,223,604.25 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 63,321.70 for all 67 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: The Canada Life Assurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - B

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 67 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377317 - 377383

PRICE: \$1,223,604.25 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$63,321.70 for all 67 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Home Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - C

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 13 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377384 - 377396

PRICE: \$ 237,415.75 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 12,286.30 for all 13 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Puritan Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	\$18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - D

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 16 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377397 - 377412

PRICE: \$292,204.00 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$15,121.60 for all 16 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Lutheran Mutual Life Insurance Company -

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - E

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 33 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377413 - 377445

PRICE: \$602,670.75 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$31,188.30 for all 33 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Peoples Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - F

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 67 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos. C.N. 377446 - 377512

PRICE: \$1,223,604.25 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 63,321.70 for all 67 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: The Life Insurance Company of Virginia

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - G

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 135 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377513 - 377647

PRICE: \$2,465,471.25 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 127,588.50 for all 135 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Continental Assurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - E

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 67 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos. C.N. 377648 - 377714

PRICE: \$1,223,604.25 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 63,321.70 for all 67 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: The Lincoln National Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - I

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 33 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377715 - 377747

PRICE: \$602,670.75 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 31,188.30 for all 33 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: United Benefit Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - J

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 13 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377748 - 377760

PRICE: \$237,415.75 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 12,286.30 for all 13 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: North American Life Assurance Company (Toronto, Ontario, Canada)

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - K

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 16 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377761 - 377776

PRICE: \$292,204.00 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$15,121.60 for all 16 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Mutual Trust Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - L

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 73 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos.
C.N. 377777 - 377849

PRICE: \$1,333,180.75 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$68,992.30 for all 73 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Connecticut General Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - M

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 50 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos. C.N. 377850 - 377899

PRICE: \$913,137.50 (i.e. \$18,262.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$945.10 per item of equipment, or an aggregate of \$ 47,255.00 for all 50 items

INTERIM DAILY RENTAL: \$5.1364 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Union Mutual Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$19,584.71 per unit
In U.S. Dollars at 93.25%	18,262.75 per unit

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

SCHEDULE I - N

MANUFACTURER: Hawker Siddeley Canada Ltd.

PLANT OF MANUFACTURER: Trenton, Nova Scotia

DESCRIPTION OF EQUIPMENT: 100 100-ton, 4,350 cu. ft. steel covered hopper cars, Serial nos. C.N. 377900 - 377999

PRICE: \$1,876.675.00 (i.e. \$18,766.75 per item)

DELIVER TO: Canadian National Railway Company, as designated by the Railroad.

OUTSIDE DELIVERY DATE: November 30, 1970

FIXED RENTAL PAYMENTS: Forty (40) semi-annual rental payments, each in advance, at \$971.18 per item of equipment, or an aggregate of \$ 97,118.00 for all 100 items

INTERIM DAILY RENTAL: \$5.2782 per day per item

RENEWAL: None

LESSEE: Canadian National Railway Company - Trust #2
TRUSTOR: Union Bank
LENDER: Connecticut General Life Insurance Company

Estimated
Equipment Cost Basis:

In Canadian Dollars	\$20,125.22
In U.S. Dollars at 93.25%	\$18,766.75

In the event the final price of any Items covered by this Schedule is greater or less than the amount shown above or the conversion rate of U.S. Dollars to Canadian Dollars is greater or less than \$.9325 US, the rentals for such Item shall be ratably increased or reduced.

All "Dollar" amounts are expressed in United States Dollars.

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: George D. MacKay and Edward E. Castans, as Trustees under Trust Agreement dated as of May 1, 1970.

UNITED STATES LEASING INTERNATIONAL, INC., as Agent for the Trustees.

HAWKER SIDDELEY CANADA, LTD., as Manufacturer.

I, duly appointed inspector and authorized representative of Canadian National Railway Company ("Lessee") for the purpose of the Agreement to Acquire and Lease and the Equipment Lease, both dated as of May 1, 1970 between George D. MacKay and Edward E. Castans, Trustees under the Trust Agreement dated May 1, 1970, as Lessor, United States Leasing International, Inc., as Agent for the Trustees, and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery, on behalf of Lessee under said Agreement, of the following pieces of Equipment:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

NUMBERED:

I do further certify that the foregoing Equipment is in good order and condition, and appears to conform to the specifications applicable thereto and to all applicable Canadian Transport Commission and United States Department of Transportation or other foreign or domestic agency governmental requirements and specifications.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for any warranties it has made with respect to the Equipment.

Dated: _____, 1970.

Inspector and Authorized Representative of Canadian National Railway Company

SCHEDULE 2
to Lease

SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of original cost to Lessor of an Item of Equipment, including all taxes and delivery charges, is to be paid on a rental payment due date pursuant to Section 11 of the Equipment Lease as the result of an Item becoming the subject of a Casualty Occurrence, depending upon when the Casualty Value is paid:

<u>After Rental Payment No.</u>	<u>Payable on Date and in Lieu of Payment No.</u>	<u>Casualty Value Payable Per Item (in lieu of rental payment for such item due on such date)</u>
0	as provided in Section 11.5 of the Lease	
1	2	102.375
2	3	101.625
3	4	100.875
4	5	100.125
5	6	99.250
6	7	98.375
7	8	97.500
8	9	96.500
9	10	95.500
10	11	94.375
11	12	93.125
12	13	91.875
13	14	90.625
14	15	89.250
15	16	87.750
16	17	86.250
17	18	84.625
18	19	83.000
19	20	81.125
20	21	79.250
21	22	77.250
22	23	75.250
23	24	73.125
24	25	70.750
25	26	68.375
26	27	65.375
27	28	63.250
28	29	60.500
29	30	57.525
30	31	54.500

Canadian National Railway Co. Trust No. 2

SCHEDULE 3
to Lease

SCHEDULE OF CASUALTY VALUE - continued

<u>After Rental Payment No.</u>	<u>Payable on Date and in Lieu of Payment No.</u>	<u>Casualty Value Payable Per Item (in lieu of rental payment for such item due on such date)</u>
31	32	51.375
32	33	48.000
33	34	44.500
34	35	40.875
35	36	37.000
36	37	33.000
37	38	28.875
38	39	24.500
39	40	19.875
40	On the expiration date of the Lease	15.000

TRUSTOR: UNION BANK

STATE OF ILLINOIS)
) ss.
COUNTY OF DU PAGE)

On this 8th day of May, 1970, before me personally appeared Edward E. Carlson, to me known to be one of the persons described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

Rynn Ann Texeira

(SEAL)

My commission expires: September 30, 1973

STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

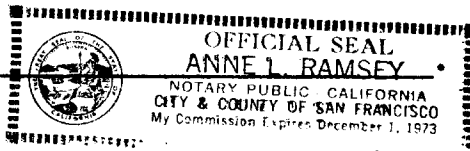
)
)
) ss.

On this 7th day of May, 1970, before me personally appeared ~~W. H. RUSKAUP~~ W. H. RUSKAUP, to me personally known, who being by me duly sworn, says that he is the Vice President of UNITED STATES LEASING INTERNATIONAL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Anne L. Ramsey

(SEAL)

My commission expires:



PROVINCE OF QUEBEC)
) ss.
CITY OF MONTREAL)

On this 12th day of May, 1970, before me personally appeared R. D. Dan, to me personally known, who being by me duly sworn, says that he is the Vice-President of CANADIAN NATIONAL RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

J. Brabander, Notary

(SEAL)

My commission ~~expires:~~ is for life.